

Message Text

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PAGE 01 PARIS 06654 01 OF 04 042027Z

67

ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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PAGE 02 PARIS 06654 01 OF 04 042027Z

C O N F I D E N T I A L SECTION 01 OF 04 PARIS 06654

E.O. LL652: GDS

TAGS: PGOV, PINT, FR

SUBJECT: GISCARD'S REFORMS: THE GAME PLAN

1. SUMMARY. FRENCH PRESIDENT VALERY GISCARD D'ESTAING IS PUSHING A NUMBER OF IMPORTANT REFORMS IN FRANCE MAINLY TO BROADEN HIS ELECTORAL BASE BY WOOING SOCIALIST AND LEFT RADICAL VOTERS INTO HIS MAJORITY. OF THE TWO MAJOR TYPES OF REFORMS -- SOCIAL AND STRUCTURAL -- THE LATTER CATEGORY, INVOLVING CAPITAL GAINS TAX, BUSINESS, HOUSING AND LOCAL GOVERNMENT, HAS ENCOUNTERED THE MOST OPPOSITION. NEVERTHELESS, GISCARD HOPES TO REFORM THE FRENCH SOCIAL STRUCTURE, TO REMOVE CAUSES OF TENSION AND DESTABILIZATION. BUT IN DOING SO HE RUNS THE RISK OF ALIENATING THE CONSERVATIVE VOTERS IN HIS OWN MAJORITY. EVEN MANY OF HIS OPPONENTS ADMIT THAT GISCARD IS MORE THAN A POLITICAL OPPORTUNIST, THAT HE IS GENUINELY CONCERNED WITH "REFORMING" FRANCE. BASICALLY, HE HAS THE OPTION OF EITHER PUSHING REFORMS HARD IN THE FACE OF ALL RISKS, OR BACKING OFF OUT OF POLITICAL EXPEDIENCY WHEN HE RUNS INTO STRONG OPPOSITION. THE ODDS ARE THAT HE WILL CHOOSE THE LATTER TECHNIQUE. MEANWHILE THE SOCIAL AND MONETARY DISCREPANCIES IN FRENCH SOCIETY REMAIN STRIKING; SOME COMMENTATORS SAY THEY ARE EVEN WIDENING. WITH THE THREAT OF THE LEFT'S WINNING THE 1978 LEGISLATIVE ELECTIONS, GISCARD HAS TWO YEARS TO IMPLEMENT HIS PLAN OF INCREASING HIS NATIONAL POLITICAL BASE THROUGH REFORM. END SUMMARY.

2. THE GROWING LEFT? AS PRESIDENT VALERY GISCARD D'ESTAING NEARS THE END OF HIS SECOND YEAR IN POWER, THERE IS INCREASING SPECULATION OVER WHETHER OR NOT THE LEFT OPPOSITION CAN WIN A MAJORITY OF SEATS IN THE FORTHCOMING LEGISLATIVE ELECTIONS, NOMINALLY SET FOR 1978. SOME RECENT PUBLIC OPINION POLLS, GIVING THE LEFT 53 PERCENT OF THE POPULAR VOTE IN HYPOTHETICAL LEGISLATIVE CONTESTS, LEND CREDENCE TO THE PREDICTION THAT GISCARD MAY LOSE HIS MAJORITY IN THE NATIONAL ASSEMBLY (THOUGH IT HAS BEEN ESTIMATED THAT BECAUSE OF GERRYMANDERING, THE LEFT WOULD

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PAGE 03 PARIS 06654 01 OF 04 042027Z

NEED 56 PERCENT OF THE POPULAR VOTE TO GIVE IT A MAJORITY IN THE ASSEMBLY). A WORSENING OF THE PRESENT ALREADY DIFFICULT ECONOMIC SITUATION, WITH ITS EXPECTED BALANCE OF PAYMENTS DEFICIT IN 1976, CONTINUED HIGH UNEMPLOYMENT, AND UNRELENTING INFLATION, COULD GIVE THE LEFT THE IMPETUS IT NEEDS TO CARRY IT OVER THE TOP IN THE NEXT LEGISLATIVE ELECTIONS. FACED WITH AN OPPOSITION MAJORITY IN THE CHAMBER OF DEPUTIES, GISCARD WOULD FIND GOVERNING

FRANCE DIFFICULT, IF NOT IMPOSSIBLE (PARIS A-52).

3. A REBALANCED MAJORITY: IN ORDER TO GOVERN FRANCE WITHOUT THE THREAT OF THE OPPOSITION'S ONE DAY ATTAINING A MAJORITY IN THE NATIONAL ASSEMBLY, GISCARD WANTS TO INCREASE HIS NATIONAL POLITICAL BASE. HIS ANNOUNCED GOAL OF "RE-EQUILIBRATING THE MAJORITY" MEANS, IN EFFECT, WOOING OPPOSITION VOTERS (LEFT RADICALS AND RIGHT-LEANING SOCIALISTS) INTO HIS OWN CAMP BY APPEALING OVER THE HEADS OF OPPOSITION DEPUTIES DIRECTLY TO THE FRENCH ELECTORATE. GISCARD BELIEVES THAT ONE WAY HE CAN EFFECT THIS IS TO REFORM THE STRUCTURES AND THE CONSERVATIVE SOCIETY OF FRANCE, OR AT LEAST TO APPEAR THAT HE IS TRYING TO DO SO. VGE HAS THUS MADE HIMSELF THE TORCHBEARER OF MODERATE REFORM, THE MAN WHO WILL LEAD FRANCE INTO A "LIBERAL, ADVANCED SOCIETY," THE MAN WHO WILL BRIDGE THE GAP BETWEEN SOCIAL AND ECONOMIC INEQUALITIES AND MORALIZE CAPITALISM, THEREBY STEALING THE OPPOSITION'S THUNDER

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PAGE 01 PARIS 06654 02 OF 04 042026Z

67

ACTION EUR-12

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PAGE 02 PARIS 06654 02 OF 04 042026Z

C O N F I D E N T I A L SECTION 02 OF 04 PARIS 06654

AND DISARMING IT.

4. THE REFORMS: WITH THIS BROAD PROGRAM IN MIND, VGE HAS FILLED HIS PRIME MINISTER'S CABINET WITH TECHNOCRATS WHO, HOWEVER QUESTIONABLE THEIR CONVICTIONS REGARDING REFORM, ARE PRESUMABLY ABLE TO FIT THE NUTS AND BOLTS OF HIS PROGRAMS. BUT WITH MANY REFORMS HE WALKS A POLITICAL TIGHTROPE, FOR SHOULD THEY PROVE TOO INNOVATIVE, HE RISKS LOSING ELEMENTS OF THE VERY MAJORITY THAT BROUGHT HIM TO POWER. PERHAPS AS A RESULT, THERE IS A PATTERN TO HIS REFORMS THAT BECOMES MORE APPARENT WITH EACH MAJOR GOFO PROPOSITION: MOST SOCIAL REFORMS PASS THROUGH PARLIAMENT GENERALLY INTACT; MOST STRUCTURAL REFORMS ARE HEAVILY WATERED DOWN OR DISSIPATED UNDER A MASS OF COMPLEX REPORTS AND/OR LEGISLATIVE AMENDING. THUS GISCARD GENERALLY MAINTAINS HIS REFORMIST IMAGE WHILE AVOIDING ALIENATING THE MORE CONSERVATIVE SIDE OF HIS MAJORITY.

5. SOCIETY: THE SOCIAL REFORMS (LONG OVERDUE IN A COUNTRY WHERE UNTIL 1966 A MARRIED WOMAN COULD NOT HOLD A BANK ACCOUNT WITHOUT HER HUSBAND'S CONSENT) HAVE A GOOD BATTING AVERAGE. IN THE LAST SEVEN MONTHS OF 1974 ALONE THE LEGAL VOTING AGE WAS LOWERED TO 18, BIRTH CONTROL DEVICES WERE MADE MORE ACCESSIBLE AND DIVORCE BY

MUTUAL CONSENT WAS LEGALIZED. WHILE, WITH THE POSSIBLE EXCEPTION OF ABORTION, THESE REFORMS MAY NOT APPEAR NOVEL TO THE AVERAGE AMERICAN, THEY NEVERTHELESS TOUCHED MANY SENSITIVE CORDS IN CATHOLIC, CONSERVATIVE FRANCE. OTHER SOCIAL REFORMS WERE ALSO VOTED BY PARLIAMENT; A FORTY-HOUR WORK WEEK FOR THE AGRICULTURAL SECTOR; INCREASED BENEFITS FOR THE UNEMPLOYED; REVISION OF THE SOCIAL SECURITY LAW, EXTENDING IT TO ALL FRENCHMEN; RETIREMENT AT SIXTY FOR CERTAIN MANUAL WORKERS; INCREASED AID TO TRADE SCHOOLS.

6. STRUCTURES: THE STRUCTURAL REFORMS, ON THE OTHER HAND, HAVE PRESENTED ONE HURDLE AFTER ANOTHER FOR VGE.
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PAGE 03 PARIS 06654 02 OF 04 042026Z

AS RECENTLY ANNOUNCED BY PRIME MINISTER JACQUES CHIRAC, THE FOUR MAIN REFORMS OF 1976 WILL ALL BE STRUCTURAL: CAPITAL GAINS TAX; CORPORATE REFORM; HOUSING; LOCAL GOVERNMENT.

A) CAPITAL GAINS TAX: FRANCE IS A COUNTRY WHERE "FISCAL FRAUD IS ONE OF THE NUMEROUS BONDS OF THE SACRED UNION BETWEEN THE SMALL AND THE GREAT." IT IS NO WONDER THAT OF ALL THE REFORMS PUT FORTH BY VGE, THIS ONE, ALONG WITH PERHAPS CORPORATE REFORM, WILL RUN INTO THE STRONGEST OPPOSITION. EVEN THOUGH A RECENT GOF-COMMISSIONED STUDY POINTS OUT THAT 10 PERCENT OF THE FRENCH POPULATION EARN 30 PERCENT OF THE TOTAL REVENUE AND POSSESS 55 PERCENT OF EXTANT CAPITAL, THE HUMBLEST FARMER OR BUSINESSMAN WILL THINK TWICE BEFORE BACKING A POLITICIAN WHO OPENLY ESPouses A LAW THAT COULD OBLIGE HIM TO PAY TAX ON THE SALE OF HIS PROPERTY (ESPECIALLY IN A COUNTRY WHERE THE TENDENCY IS STRONG TO INVEST SAVINGS IN GOODS AND REAL ESTATE).

B) BUSINESS: ALREADY UNDER FIRE FROM FRENCH BUSINESSMEN, WHO CONSIDER THEMSELVES THE SCAPEGOATS OF GOF MISHANDLING OF THE ECONOMY, GISCARD WILL BE HARD PUT TO PUSH A LAW THAT ADVOCATES COSURVEILLANCE (IN WHICH A PANEL OF WORKERS INFLUENCES DECISIONS TAKEN BY MANAGEMENT) AND THE RIGHT OF WORKERS TO MODIFY THEIR WORK METHODS. TIED TO THE CONCOMITANT SCHEME OF UPGRADING (READ IMPROVING) THE POSITION OF THE WORKER IN FRENCH SOCIETY, THE PROPOSED CORPORATE REFORMS ALARM MUCH OF VGE'S OWN CONSERVATIVE MAJORITY WHILE PROFFERING, ACCORDING TO THE LEFT AND THE UNIONS, ONLY THE SILHOUETTE OF GENUINE REFORM.

C) HOUSING: UNTIL NOW HOUSING REFORMS HAVE PRIMARILY TREATED WHAT CAN BE BUILT WHERE AND HOW; NOW THE OCCUPANT HIMSELF IS THE SUBJECT OF CONSIDERATION. HOW WILL HE PAY FOR THE PURCHASE OF HIS HOUSE OR APARTMENT? WHAT WILL BE DONE TO DESEGREGATE HOUSING? HOW WILL THE CURRENT COMPLEX FINANCING OF THE DIFFERENT CATEGORIES OF

APARTMENT BUILDINGS BE SIMPLIFIED? THE PROPOSED REFORM TREATS ALL OF THE ABOVE. IT IS NOT EXPECTED TO REACH PARLIAMENT BEFORE SPRING 1977, AND IT IS PROBABLE THAT THE BILL WILL ENCOUNTER LESS OPPOSITION THAN BUSINESS AND TAX REFORMS.

D) LOCAL GOVERNMENT: THIS IS THE VAGUER AND MOST CONFIDENTIAL

CONFIDENTIAL

PAGE 04 PARIS 06654 02 OF 04 042026Z

PLEX OF ALL OF THE MAJOR GOV REFORMS. A COMMISSION UNDER UDR DEPUTY OLIVIER GUICHARD HAS BEEN SET UP TO ANALYZE THE QUESTION; BUT AS IT RELATES TO THE TOUCHY ISSUE OF REGIONALIZATION, PROGRESS WILL LIKELY BE SLOW AND DIFFICULT. EACH POLITICAL PARTY HAS ITS OWN DEFINITE IDEAS WHERE STRESS SHOULD BE LAID, THOUGH ALL ARE AGREED THAT

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PAGE 01 PARIS 06654 03 OF 04 042036Z

67

ACTION EUR-12

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PAGE 02 PARIS 06654 03 OF 04 042036Z

C O N F I D E N T I A L S E C T I O N 03 O F 04 PARIS 06654

THERE MUST BE MORE LOCAL DECISION-MAKING POWERS AND MORE REVENUE SHARING BETWEEN GOF AND THE LOCAL COMMUNITIES. THE UNLIKELYHOOD THIS REFORM WILL GET OFF THE GROUND IS underscored by the fact that VGE HIMSELF RECENTLY STATED IN UNQUALIFIED TERMS THAT FRANCE MUST AND WOULD REMAIN CENTRALIZED.

7. EGALITARIANISM: THE PATTERN THAT EMERGES FROM THE ABOVE IS BASICALLY EGALITARIAN, A BREAKING DOWN OF THE SOCIAL DISPARITIES THAT HAVE CHARACTERIZED FRANCE FOR CENTURIES. WHAT GISCARD WANTS TO DO IS TAKE A BIT FROM THE RICH TO GIVE TO THE POOR -- A BIT. AS ONE OF THE FORMER, HE WELL KNOWS THE RISKS INHERENT IN POLITICIANS' THREATENING THE INTERESTS OF THE MIDDLE CLASS. BUT HE ALSO SEES THE MOOD OF INTOLERANCE TOWARD PRIVILEGES PREVALENT AMONG A LARGE BODY OF THE FRENCH ELECTORATE AND BELIEVES THAT HE MUST RESPOND TO IT. WHETHER HE SUCCEEDS WILL DEPEND largely ON HOW EFFECTIVELY HIS REFORMS REDUCE THE CREDIBILITY OF THE OPPOSITION, WHICH CLAIMS THAT ONLY A GOVERNMENT OF THE LEFT CAN CARRY OUT A TRUE SOCIAL CHANGE.

8. VGE'S CHANCES FOR SUCCESS: WILL GISCARD SUCCEED IN HIS GRAND SCHEME OF WINNING ENOUGH VOTES FROM THE

OPPOSITION TO FORESTALL A LEFT VICTORY IN THE 1978 LEGISLATIVE ELECTIONS? A NUMBER OF FACTORS ARE IN HIS FAVOR. FIRST, THE THREE OPPOSITION PARTIES THAT ADHERE TO THE COMMON PROGRAM ARE AT ODDS WITH ONE ANOTHER ON A VARIETY OF ISSUES. WHILE AS PARTIES, KEEPING IN MIND THE POLITICAL EXPEDIENCY OF REMAINING TOGETHER, THEY MAY BE ABLE TO MANAGE THEIR DIFFICULTIES, IT IS ENTIRELY POSSIBLE THAT GISCARD MAY SUCCEED IN ATTRACTING INDIVIDUAL VOTES AWAY FROM THE LEFT WITHOUT LOSING A PROPORTIONATE NUMBER FROM HIS OWN MAJORITY. SECONDLY, THE LONGER GISCARD STAYS IN POWER, THE BETTER HIS CHANCES, BARRING A WORSENGED ECONOMIC SITUATION, OF INFLUENCING THE VOTERS. FINALLY THERE IS HIS ALMOST UNERRING ABILITY TO AVOID

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PAGE 03 PARIS 06654 03 OF 04 042036Z

THE MUCK OF POLITICAL SKIRMISHES, OR AT LEAST TO GET HIS CABINET MINISTERS TO HANDLE IT FOR HIM. MITTERRAND AND COMMUNIST PARTY LEADER MARCHAIS MAY RAVE ALL THEY WISH AT THE PRESIDENT; BUT SERENE IN HIS ROLE AS STATESMAN, GISCARD HAS SO FAR BEEN ABLE TO RISE ABOVE IT ALL.

9. WORKING AGAINST VGE'S GRAND SCHEME ARE IN THE FIRST PLACE THE DISSIDENT GAULLISTS. ALTHOUGH CHIRAC SEEMS TO HAVE MOST OF THE PARTY ENSCONCED IN THE MAJORITY, HARD-LINERS SUCH AS DEBRE AND SANGUINETTI NEVERTHELESS REPRESENT A POWERFUL, IF DIMINISHING, FACTION OF CONSERVATIVE GAULLISTS WHO FEEL THE PRESIDENT IS LEADING FRANCE DOWN THE PRIMROSE PATH TO ATLANTICISM AND FLABBY LIBERALISM. SECONDLY, THERE IS THE ABOVE MENTIONED EVENTUALITY THAT THE ECONOMIC SITUATION COULD WORSEN. FRANCE'S ENERGY BILL ALONE IS EXPECTED TO BE TEN BILLION DOLLARS IN 1976. GOE OF ECONOMIC STRATEGY, BASED ON REDUCING INFLATION AND SUSTAINING A SATISFACTORY BALANCE OF PAYMENTS WHILE ALLOWING FOR GRADUAL ECONOMIC RECOVERY, IS CURRENTLY UNDER HEAVY PRESSURE. INFLATION SHOWS NO CLEAR SIGN OF IMPROVEMENT AND IN FACT WORSENERED IN THE FALL EVEN AS THE ECONOMY REVIVED. THE FRANC HAD BEEN UNDER STRONG PRESSURE ON THE EXCHANGE MARKETS. ECONOMIC RECOVERY SEEMS NO MORE CERTAIN NOW THAN SEVERAL MONTHS AGO. BALANCE OF PAYMENTS EQUILIBRIUM MUST BE MAINTAINED, UNEMPLOYMENT REDUCED AND INFLATION CURBED IF GISCARD'S PLAN IS TO SUCCEED. LASTLY, THERE IS THE POSSIBILITY THAT SOME OF HIS REFORMS WILL BACKFIRE, ALIENATING LARGE SEGMENTS OF THE POPULATION AND GIVING ADDED STRENGTH TO THE LEFT. HIS BALANCING ACT COULD FOUNDER IF HE MISCALCULATES THE IMPACT OF CERTAIN IMPORTANT REFORMS, EVEN KEEPING IN MIND HIS ADROITNESS ON THIS SCORE.

10. PAST AND FUTURE: FRENCHMEN ARE INCREASINGLY AWARE THAT THE GAP BETWEEN RICH AND POOR IN FRANCE REMAINS

WIDE, AND THAT GISCARD HAS DONE LITTLE TO IMPROVE THE SITUATION. ON THE OTHER HAND, THE CONSERVATISM DEEPLY ENGRAINED IN SO MANY FRENCHMEN, INCLUDING MANY HAVE-NOTS, PROVES A CONSTANT IMPEDIMENT TO THE PRESIDENT'S REFORM PROGRAM. MANY IF NOT MOST OF THE REFORMS ALREADY PASSED HAD BEEN IN THE HOPPER A LONG TIME AND WERE IN A SENSE

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PAGE 04 PARIS 06654 03 OF 04 042036Z

INEVITABLE; GISCARD JUST HAPPENED TO BE ON THE SCENE. OF THE REFORMS NOW UNDER CONSIDERATION, PROBABLY NONE WILL PROVE TRULY REVOLUTIONARY BY THE TIME THEY MAKE IT - IF THEY DO -- THROUGH PARLIAMENT. MANY OBSERVERS FEEL GISCARD IS NOT A TRUE REFORMER AT ALL, MERELY A SELF-SERVING POLITICIAN UNABLE TO CUT THE TIES THAT BIND HIM

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PAGE 01 PARIS 06654 04 OF 04 042025Z

67

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PAGE 02 PARIS 06654 04 OF 04 042025Z

C O N F I D E N T I A L SECTION 04 OF 04 PARIS 06654

TO HIS PRIVILEGED ORIGINS. OTHERS BELIEVE THAT REFORMS ARE NOT SO IMPORTANT AN ISSUE AS THEY APPEAR TO BE, AND THAT GISCARD'S POPULARITY DEPENDS MORE ON EFFECTIVELY HANDLING INFLATION, UNEMPLOYMENT AND THE ECONOMY IN GENERAL THAN ON PUSHING A BILL THAT, FOR EXAMPLE, SEEKS TO MIX NORTH AFRICANS AND FRENCHMEN IN THE SAME HOUSING DEVELOPMENT.

11. IN CONCLUSION, WHETHER GISCARD IS SINCERE OR NOT, HIS REFORM PROGRAM AS DESCRIBED ABOVE SEEMS TO CONSTITUTE A MAIN ELEMENT OF HIS STRATEGY FOR WINNING THE 1978 LEGISLATIVE ELECTIONS. FOR THAT REASON ALONE GISCARD MUST BE SINCERE IN HIS DESIRE TO REFORM UP TO A POINT. ANOTHER ELEMENT, THE HOPE THAT THE UNION OF THE LEFT MIGHT STILL SPLIT UP, APPEARS TO HAVE FADED FOR THE TIME BEING, ALTHOUGH GISCARD WILL CONTINUE TO KEEP THE DOOR OPEN TO ANY RIGHT-LEANING SOCIALISTS WHO WISH TO JOIN HIM. "TO BRING US NEARER THE SOCIALISTS", GISCARD SAID TO HIS MAJORITY LEADERS LAST JANUARY, "WE MUST ADAPT THE STEP-BY-STEP TACTIC OF KISSINGER," EVEN, AS ONE COMMENTATOR RECENTLY PUT IT, IF IT'S TWO FORWARD AND ONE BACKWARD. BASICALLY, VGE HAS TWO CHOICES. HE CAN TURN HIS BACK ON CONSERVATIVE ELEMENTS IN THE MAJORITY AND PUSH THE REFORMS COME WHAT MAY. OR HE CAN MAKE HASTE

SLOWLY, RETREATING WHENEVER THE DIVIDENDS OF HIS REFORM PROGRAM DWINDLE. HE'LL PROBABLY OPT FOR PRUDENCE. WILL THE STRATEGY WORK? MAJORITY LEADERS UNIFORMLY PREDICT VICTORY IN 1978. WHETHER THEY ARE RIGHT OR NOT WILL DEPEND IN PART ON HOW WELL THE STRUCTURAL REFORMS ARE TRANSFORMED FROM RHETORIC INTO REALITY.

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